CHAPTER 12
AGRICULTURAL INCOME

Agricultural income includes the following:

(1) Any rent or revenue derived from land [Sec. 2(1A)(a)]
(2) Any income derived from such land by agriculture or from processing of agricultural produce. [Sec. 2(1A)(b)]
(3) Any income from farm building [Sec. 2(1A)(c)]

The above three types of income shall be treated as agricultural income only when the following conditions are satisfied:

(1) Income should be derived from land
(2) land should be situated in India
(3) land should be used for agricultural purpose
(a) Basic Operations (b) Subsequent operations

Income which is partially agricultural and partially from business:

Income from growing or manufacturing of any product other than Tea, coffee and rubber:

Agricultural Income (exempt) = Market value of agricultural produce − cultivation expenses

Page No.
Date :

Business Income (Taxable) = Business Income − cost of agricultural produce

Tax on Non-Agricultural income if the assessee earns agricultural income also :
(PARTIAL INTEGRATION)

(1) Partial integration is done only in case of individual, HUF, AOP, BOI, Artificial Juridical Person.

(2) Partial integration is done only when the following two conditions are satisfied :

(a) Non-Agricultural income of the assessee exceeds the maximum exemption limit

AND

(b) Net agricultural income exceeds Rs. 5000.

Computation of tax in case of partial integration :

STEP 1 : Agricultural income + Non-Agricultural income
(compute tax before education cess)

STEP 2 : Agricultural income + Maximum Exemption limit
(compute tax before education cess)

STEP 3 : STEP 1 − STEP 2

STEP 4 : Claim rebate u/s 87A (if applicable)

STEP 5 : Add Health & Education cess @ 4%.